

Property Tax Payments, 2002-2003

- Pulaski County -

Indiana Legislative Services Agency

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The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Pulaski County from \$2.6 Million in 2002 to \$4.7 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12

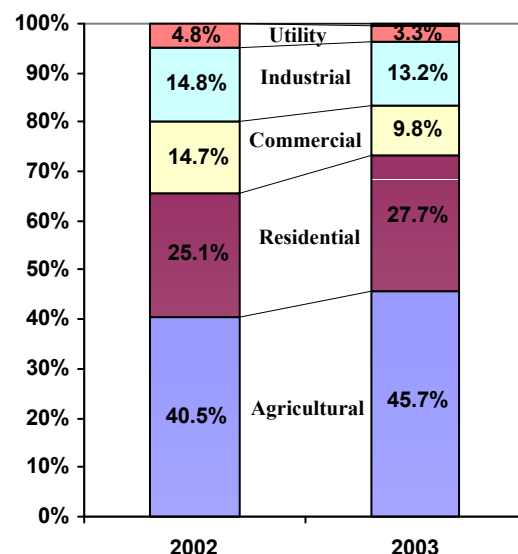
Table 1. Changes in AV and Tax Bills by Property Class for Pulaski County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	78.4%	72.1%	5.5%
Residential (All)	95.4%	64.9%	3.5%
Homestead Only	93.9%	46.9%	-9.4%
Commercial	-10.7%	-12.3%	-37.9%
Industrial	27.7%	24.9%	-16.5%
Utility	-9.3%	-9.3%	-36.5%
Avg. All Classes	60.7%	48.4%	-6.5%

billion to \$1.87 billion, an increase of approximately \$748 million. In Pulaski County, state tax credits increased from \$2.6 million to \$4.7 million, an increase of \$2.1 million. This paper provides a brief summary of how these factors changed property tax liabilities in Pulaski County.

Tax Shifts. Pulaski County saw a property tax shift from businesses to residential and agricultural property owners. Tax bills paid by residential and agricultural property owners increased, while tax bills paid by commercial, industrial, and utility property owners decreased (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The reason for these shifts between classes of property was that the total of real plus personal property assessed values (AV) of residential and agricultural property increased more than the assessed values of business property. Gross assessed values of residential property nearly doubled, and agricultural assessments rose substantially. Industrial assessments rose much less, and commercial and utility assessments actually declined. These figures include the effects of new construction, demolition and remodeling of

Figure 1. Share of Net Property Tax Billings in Pulaski County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Pulaski County saw their tax bills decrease, while the average residential property increased. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased much more than for homestead property. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Pulaski County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, many more homestead owners saw decreases rather than increases.

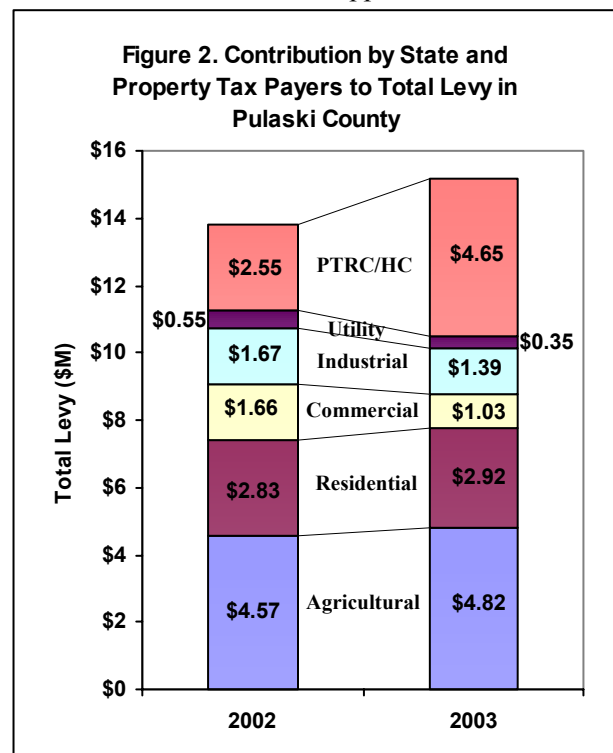
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	68.8%	29.2%	63.8%	19.3%
Decreased	31.2%	70.8%	36.2%	80.7%
Increased 100% or More	18.9%	3.1%	14.3%	2.7%
Decreased 25% or More	12.6%	28.2%	17.2%	41.8%
Average Change (\$)	\$10	-\$89	-\$19	-\$144
Average Change (%)	3.2%	-13.0%	-6.1%	-21.1%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, over half of all residential property owners would have seen tax increases. More than 80% of homesteads would have seen tax decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of many more homeowners than they increased.

Agriculture. Taxes on agricultural property in Pulaski County rose. Overall, agricultural business taxes rose and agricultural homestead taxes fell. The net assessed value on non-homestead agricultural real property nearly doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.

Business. Taxes on business property fell in Pulaski County because assessed values rose much less than residential and agricultural assessments. Business real property was assessed closer to the market value standard under the old assessment rules than was residential



property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Pulaski County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Pulaski County by PTRC and state homestead credit payments increased by approximately 82%, from \$2.6 million to \$4.7 million.

Table 3 shows estimates of how Pulaski County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential and agricultural property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases. Pulaski County residential property taxes still increased, on average. However, homesteads decreased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was more than offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for increasing the tax cuts received by commercial and industrial property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net

Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	20.1%	5.5%	-14.6%
Residential (All)	47.1%	3.5%	-43.6%
Homestead Only	57.7%	-9.4%	-67.1%
Commercial	-31.3%	-37.9%	-6.5%
Industrial	-5.7%	-16.5%	-10.7%
Utility	-41.5%	-36.5%	5.0%

levies in Figure 2.

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Pulaski County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	381,811,394	179,972,026	137,554,085	100,818,873	21,848,446	41,715,807	721,029
Real Deductions	31,790,707	6,995,953	22,599,067	22,599,067	235,435	1,956,772	3,480
Real Net Assessed Value	350,020,687	172,976,073	114,955,018	78,219,806	21,613,011	39,759,035	717,549
Personal Gross Assd. Value	132,843,882	28,415,770	5,030,880	0	45,654,879	31,833,322	21,909,030
Personal Deductions	4,219,992	0	3,250	0	2,094,452	2,122,290	0
Personal Net Assd. Value	128,623,890	28,415,770	5,027,630	0	43,560,427	29,711,032	21,909,030
Total Gross Assessed Value	514,655,276	208,387,796	142,584,965	100,818,873	67,503,326	73,549,130	22,630,059
Total Deductions	36,010,699	6,995,953	22,602,317	22,599,067	2,329,887	4,079,062	3,480
Total Net Assessed Value	478,644,577	201,391,843	119,982,648	78,219,806	65,173,439	69,470,068	22,626,579
Gross Levy	13,807,243	5,519,934	3,651,196	2,376,963	1,994,790	1,990,759	650,564
PTRC (Calculated)	2,247,308	880,688	605,228	393,631	330,944	325,668	104,782
State/County Homestead Cr. (Calculated)	294,260	74,228	220,032	220,032	0	0	0
Net Levy	11,265,675	4,565,018	2,825,937	1,763,300	1,663,846	1,665,091	545,783
Pay 2003							
Real Gross Assessed Value	692,621,090	339,907,024	274,167,639	195,525,638	30,679,209	44,514,757	1,410,876
Real Deductions	108,598,552	25,132,629	80,650,218	80,650,218	505,390	1,621,858	2,987
Real Net Assessed Value	584,022,538	314,774,395	193,517,421	114,875,420	30,173,819	42,892,899	1,407,889
Personal Gross Assd. Value	134,310,402	31,810,620	4,379,110	0	29,622,016	49,377,506	19,121,150
Personal Deductions	8,110,033	0	0	0	2,608,316	5,501,717	0
Personal Net Assd. Value	126,200,369	31,810,620	4,379,110	0	27,013,700	43,875,789	19,121,150
Total Gross Assessed Value	826,931,492	371,717,644	278,546,749	195,525,638	60,301,226	93,892,263	20,532,026
Total Deductions	116,708,585	25,132,629	80,650,218	80,650,218	3,113,706	7,123,575	2,987
Total Net Assessed Value	710,222,907	346,585,015	197,896,531	114,875,420	57,187,520	86,768,688	20,529,039
Gross Levy	15,171,246	6,961,810	4,515,424	2,622,879	1,370,391	1,863,001	433,048
PTRC (Calculated)	4,341,712	2,079,698	1,358,879	791,800	336,469	471,907	86,322
State/County Homestead Cr. (Calculated)	299,053	66,284	232,768	232,768	0	0	0
Net Levy	10,530,482	4,815,827	2,923,777	1,598,311	1,033,922	1,391,095	346,725
COMPARISONS							
Net Levy Percent Change	-6.5%	5.5%	3.5%	-9.4%	-37.9%	-16.5%	-36.5%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	81.4%	88.9%	99.3%	93.9%	40.4%	6.7%	95.7%
Gross Personal AV	1.1%	11.9%	-13.0%	0.0%	-35.1%	55.1%	-12.7%
Total Gross Assessed Value	60.7%	78.4%	95.4%	93.9%	-10.7%	27.7%	-9.3%
Net Assessed Value	48.4%	72.1%	64.9%	46.9%	-12.3%	24.9%	-9.3%
Gross Levy	9.9%	26.1%	23.7%	10.3%	-31.3%	-6.4%	-33.4%
Net Levy	-6.5%	5.5%	3.5%	-9.4%	-37.9%	-16.5%	-36.5%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	2,250,477	4,344,372	2,093,895	93.0%			
State Homestead Cr. (Abstract)	303,283	302,842	-441	-0.1%			
Total State Credits (Abstract)	2,553,759	4,647,213	2,093,454	82.0%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Pulaski County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	4,565,018	4,815,827	250,809	5.5%	40.5%	45.7%	5.2%
Residential	2,825,937	2,923,777	97,840	3.5%	25.1%	27.7%	2.7%
Commercial	1,663,846	1,033,922	-629,924	-37.9%	14.7%	9.8%	-4.9%
Industrial	1,665,091	1,391,095	-273,996	-16.5%	14.8%	13.2%	-1.6%
Utility	545,783	346,725	-199,058	-36.5%	4.8%	3.3%	-1.5%
Exempt	15,237	9,419	-5,818	-38.2%	0.1%	0.1%	0.0%
Undefined	0	19,135	19,135		0.0%	0.2%	0.2%
Total	11,280,912	10,539,900	-741,012	-6.6%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,918,772	4,311,587	392,815	10.0%	34.7%	40.9%	6.2%
Residential	2,704,468	2,859,205	154,737	5.7%	24.0%	27.1%	3.2%
Commercial	592,048	524,017	-68,031	-11.5%	5.2%	5.0%	-0.3%
Industrial	955,360	634,616	-320,744	-33.6%	8.5%	6.0%	-2.4%
Utility	17,419	20,640	3,221	18.5%	0.2%	0.2%	0.0%
Exempt	15,237	9,419	-5,818	-38.2%	0.1%	0.1%	0.0%
Undefined	0	19,135	19,135		0.0%	0.2%	0.2%
Total	8,203,304	8,378,619	175,315	2.1%	72.7%	79.5%	6.8%
Agricultural Homesteads	1,096,809	944,473	-152,336	-13.9%	9.7%	9.0%	-0.8%
Residential Homesteads	1,763,300	1,598,311	-164,989	-9.4%	15.6%	15.2%	-0.5%
Total Homesteads	2,860,109	2,542,784	-317,325	-11.1%	25.4%	24.1%	-1.2%
Non-Homestead Residential	941,168	1,260,894	319,726	34.0%	8.3%	12.0%	3.6%
Apartments (Over 4 Units)	50,029	66,584	16,555	33.1%	0.4%	0.6%	0.2%
<u>Personal Property Only</u>							
Agricultural	646,246	504,240	-142,006	-22.0%	5.7%	4.8%	-0.9%
Residential	121,469	64,572	-56,897	-46.8%	1.1%	0.6%	-0.5%
Commercial	1,071,798	509,906	-561,892	-52.4%	9.5%	4.8%	-4.7%
Industrial	709,732	756,479	46,747	6.6%	6.3%	7.2%	0.9%
Utility	528,363	326,086	-202,277	-38.3%	4.7%	3.1%	-1.6%
Total	3,077,608	2,161,283	-916,325	-29.8%	27.3%	20.5%	-6.8%
Total Depreciables	1,549,580	1,209,190	-340,390	-22.0%	13.7%	11.5%	-2.3%
Total Inventory	1,406,558	887,521	-519,037	-36.9%	12.5%	8.4%	-4.0%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	2,821,964	3,367,114	545,150	19.3%	25.0%	31.9%	6.9%
Ag Personal	646,246	504,240	-142,006	-22.0%	5.7%	4.8%	-0.9%
Total Ag Business	3,468,210	3,871,354	403,144	11.6%	30.7%	36.7%	6.0%
Ag Homesteads	1,096,809	944,473	-152,336	-13.9%	9.7%	9.0%	-0.8%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Pulaski County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	201,391,843	346,585,015	145,193,172	72.1%	42.0%	48.8%	6.7%
Residential	119,982,648	197,896,531	77,913,883	64.9%	25.0%	27.8%	2.8%
Commercial	65,173,439	57,187,520	-7,985,919	-12.3%	13.6%	8.0%	-5.6%
Industrial	69,470,068	86,768,688	17,298,620	24.9%	14.5%	12.2%	-2.3%
Utility	22,626,579	20,529,039	-2,097,540	-9.3%	4.7%	2.9%	-1.8%
Exempt	516,375	624,110	107,735	20.9%	0.1%	0.1%	0.0%
Undefined	0	1,256,115	1,256,115		0.0%	0.2%	0.2%
Total	479,160,952	710,847,018	231,686,066	48.4%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	172,976,073	314,774,395	141,798,322	82.0%	36.1%	44.3%	8.2%
Residential	114,955,018	193,517,421	78,562,403	68.3%	24.0%	27.2%	3.2%
Commercial	21,613,011	30,173,819	8,560,808	39.6%	4.5%	4.2%	-0.3%
Industrial	39,759,035	42,892,899	3,133,864	7.9%	8.3%	6.0%	-2.3%
Utility	717,549	1,407,889	690,340	96.2%	0.1%	0.2%	0.0%
Exempt	516,375	624,110	107,735	20.9%	0.1%	0.1%	0.0%
Undefined	0	1,256,115	1,256,115		0.0%	0.2%	0.2%
Total	350,537,061	584,646,648	234,109,587	66.8%	73.2%	82.2%	9.1%
Agricultural Homesteads	50,735,007	72,784,863	22,049,856	43.5%	10.6%	10.2%	-0.3%
Residential Homesteads	78,219,806	114,875,420	36,655,614	46.9%	16.3%	16.2%	-0.2%
Total Homesteads	128,954,813	187,660,283	58,705,470	45.5%	26.9%	26.4%	-0.5%
Non-Homestead Residential	36,735,212	78,642,001	41,906,789	114.1%	7.7%	11.1%	3.4%
Apartments (Over 4 Units)	1,672,058	3,637,601	1,965,543	117.6%	0.3%	0.5%	0.2%
<u>Personal Property Only</u>							
Agricultural	28,415,770	31,810,620	3,394,850	11.9%	5.9%	4.5%	-1.5%
Residential	5,027,630	4,379,110	-648,520	-12.9%	1.0%	0.6%	-0.4%
Commercial	43,560,427	27,013,700	-16,546,727	-38.0%	9.1%	3.8%	-5.3%
Industrial	29,711,032	43,875,789	14,164,757	47.7%	6.2%	6.2%	0.0%
Utility	21,909,030	19,121,150	-2,787,880	-12.7%	4.6%	2.7%	-1.9%
Total	128,623,889	126,200,369	-2,423,520	-1.9%	26.8%	17.8%	-9.1%
Total Depreciables	65,020,680	71,640,719	6,620,039	10.2%	13.6%	10.1%	-3.5%
Total Inventory	58,575,580	50,180,540	-8,395,040	-14.3%	12.2%	7.1%	-5.2%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	122,241,067	241,989,532	119,748,465	98.0%	25.5%	34.0%	8.5%
Ag Personal	28,415,770	31,810,620	3,394,850	11.9%	5.9%	4.5%	-1.5%
Total Ag Business	150,656,837	273,800,152	123,143,315	81.7%	31.4%	38.5%	7.1%
Ag Homesteads	50,735,007	72,784,863	22,049,856	43.5%	10.6%	10.2%	-0.3%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Pulaski County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	109%	76%	10%	0%
Comparable Residential Real Prop.	96%	64%	3%	-6%
Comparable Homesteads	93%	42%	-13%	-21%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	308	3.7%	27	1.1%	270	3.3%	23	0.9%
200%	to 300%	405	4.9%	11	0.4%	214	2.6%	8	0.3%
100%	to 200%	851	10.3%	40	1.6%	696	8.4%	37	1.5%
50%	to 100%	940	11.4%	69	2.7%	1,052	12.7%	50	2.0%
25%	to 50%	1,104	13.3%	122	4.8%	904	10.9%	78	3.1%
10%	to 25%	1,306	15.8%	196	7.7%	1,217	14.7%	106	4.2%
5%	to 10%	246	3.0%	106	4.2%	305	3.7%	77	3.0%
0	to 5%	527	6.4%	170	6.7%	623	7.5%	111	4.4%
0	to -5%	385	4.7%	199	7.8%	292	3.5%	110	4.3%
-5%	to -10%	280	3.4%	187	7.4%	317	3.8%	161	6.3%
-10%	to -25%	869	10.5%	695	27.4%	959	11.6%	715	28.2%
-25%	to -50%	765	9.2%	549	21.6%	1,052	12.7%	839	33.0%
Below	-50%	285	3.4%	168	6.6%	370	4.5%	224	8.8%
		8,271	100.0%	2,539	100.0%	8,271	100.0%	2,539	100.0%
Parcels With Increases		5,687	68.8%	741	29.2%	5,281	63.8%	490	19.3%
Parcels With Reductions		2,584	31.2%	1,798	70.8%	2,990	36.2%	2,049	80.7%
Average \$ Change			\$10		-\$89		-\$19		-\$144
Average % Change			3.2%		-13.0%		-6.1%		-21.1%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

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